



# Department of Justice

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## **PRESS RELEASE**

### **Sentencing in "Penn Traffic" case**

SYRACUSE, NEW YORK — United States Attorney Richard S. Hartunian and Special Agent-In-Charge John F. Pikus of the Albany Division of the Federal Bureau of Investigation announced today that Linda Jones, 50, and Leslie Knox, 63, former senior executives with The Penn Traffic Company ("Penn Traffic"), were sentenced today to serve fourteen (14) months in federal prison by United States District Judge David N. Hurd for causing false and inflated financial reports to be filed with the Securities and Exchange Commission ("SEC").

"These individuals directed and caused subordinates to 'pull forward' anticipated future revenue before it was earned by Penn Traffic, fraudulently inflating Penn Traffic's reported financial performance. This fraud presented a misleading picture of Penn Traffic's true financial condition and, in turn, deceived the SEC, Penn Traffic's shareholders and creditors, and the public," said United States Attorney Hartunian. "Public confidence in the securities markets in this country depends on the full and fair disclosure of all important financial information on publicly traded companies. This case demonstrates that those who work to undermine the integrity of our securities regulation system will be vigorously investigated and brought to justice."

Jones and Knox were each also ordered to pay \$10,000 in fines and a \$100 special assessment. Both defendants will also be subject to two (2) years of supervised release following their release from prison. Judge Hurd set a date of June 29, 2010 for Jones and Knox to report to a facility designated by the Federal Bureau of Prisons.

Both defendants entered guilty pleas before Judge Hurd in Utica on August 28, 2009 to Count 3 of a five-count Indictment, which count charged them with wilfully causing to be made statements in reports and documents required to be filed with the SEC that were false and misleading with respect to material facts.

In their respective plea agreements, both defendants admitted to causing to be submitted to Penn Traffic's accounting department, with the assistance of colleagues and subordinates acting at their direction, deceptive and false financial information. They further admitted that this deceptive and false information caused allowances from vendors to be pulled from a future financial reporting period and recorded in a current period, before they had been earned by Penn Traffic. In truth, Penn Traffic's actual financial status was not what was reported on its internal and external financial statements. Rather, the "pulling forward" scheme caused Penn Traffic to falsely report earnings and pre-tax operating income to investors, the SEC and the public.

“We appreciate the efforts of the Federal Bureau of Investigation in investigating this large and complex case, and the cooperation and assistance of the United States Securities and Exchange Commission,” said United States Attorney Hartunian.

The case was prosecuted by Assistant U.S. Attorneys Stephen C. Green and Thomas A. Capezza.

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